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FAST-DS 2026

Every foreign share not disclosed in Schedule FA is not an **'Undisclosed Foreign Asset'**



CA NAVEEN WADHWA
Vice-President, Taxmann



The Foreign Assets of Small Taxpayers Disclosure Scheme, 2026 (FAST-DS) opened on 16th August 2026 and closes on 31st December 2026.[1] With a few weeks left, one question keeps coming up among resident investors who bought US-listed shares through overseas brokerage platforms. If those shares were not disclosed in Schedule FA for a year or two and reported in later returns, are they 'undisclosed foreign assets' that cost 60% of their value to regularise, or can they be settled for a flat fee of Rs. 1 lakh?

Consider an individual, a salaried person, who bought shares of US-listed companies in April 2022 and paid for them through banking channels under the Liberalised Remittance Scheme (LRS). He did not report the shares in Schedule FA of his returns for AY 2023-24 and AY 2024-25. He reported them in his returns for AY 2025-26 and AY 2026-27. He now wants to use FAST-DS and needs to know two things:

- Whether the omission in the first two years makes the shares an 'undisclosed foreign asset', and
- Whether the subsequent reporting in Schedule cures the earlier default.

1. Two Categories under FAST-DS

Section 133 of the Finance Act, 2026 sets out two categories of declaration, each with its own threshold and cost:

Particulars	*Sl. No. 1*	*Sl. No. 2*
What is covered	• Undisclosed asset located outside India, or • Undisclosed foreign income	Foreign asset acquired from income offered to tax in India (or from foreign income earned while a non-resident) but not declared in the relevant Schedule of the return
Monetary ceiling	Aggregate of asset value and income does not exceed Rs. 1 crore	Value of foreign assets does not exceed Rs. 5 crores
Amount payable	Tax at the rate of 30% *plus* an additional amount equal to the tax (effective 60%)	Flat fee of Rs. 1 lakh for all assets and all years

The difference in cost is large. A declaration for a foreign asset worth Rs. 45 lakh costs Rs. 27 lakh to regularise under Sl. No. 1 and Rs. 1 lakh under Sl. No. 2. Classification is therefore the first and most important step.

2. What Makes a Foreign Asset 'Undisclosed?'

Section 131(1)(*j*) of the Finance Act, 2026 defines an 'undisclosed asset located outside India' as an asset held by the assessee, in his name or as a beneficial owner, and he has no explanation about the source of investment in such asset or the explanation given by

him is, in the opinion of the Assessing Officer, unsatisfactory.[2] The test here is whether the source of investment can be explained and not whether the asset was reported in a particular schedule.

Where shares are bought with salary that has been taxed and remitted through a bank under the LRS, the source is documented by Form A2, the bank statement and the brokerage contract notes. Leaving such shares out of Schedule FA is a mere failure to report. It does not turn an explained investment into an undisclosed asset chargeable under Section 4 of the Black Money Act. Section 43 of the Black Money Act, which deals with the failure to disclose foreign assets in the ITR, penalises that failure separately.

Consequently, Sl. No. 2 (and not Sl. No. 1) of the Table in Section 133 of FAST-DS should apply in such a situation because the asset was acquired from income already offered to tax under the Income-tax Act, but it was not declared in the relevant Schedule in the return of income.

The FAST-DS Rules confirm this. Illustration 3 to Rule 4 takes a resident who bought mutual fund units abroad in 2020 out of income offered to tax and quoted shares on the New York Stock Exchange in 2022, and who failed to report them in the relevant Schedule. The illustration treats both assets under Sl. No. 2. The assessee is excluded only because their combined value of Rs. 6.5 crore exceeds the Rs. 5 crore ceiling. The facts are almost the same as explained above.

The supplementary FAQs[3] apply the same source-based test. For a returning resident whose foreign bank account was funded from post-tax deposits, FAQ Q.68 states that the account "will not be treated as undisclosed in his hands". FAQ Q.80 allows a resident who received a Dubai apartment by gift, bought by her father through LRS from disclosed sources, to declare it under Sl. No. 2 for the flat fee because "there is no undisclosed income". In each case, the deciding factor is the source of the investment, not the omission in Schedule FA.

3. Does later reporting cure the earlier default?

Section 43 of the Black Money Act applies to the return for each previous year and covers any foreign asset held "at any time during such previous year". Reporting the shares in the returns for AY 2025-26 and AY 2026-27 leaves the omissions in the returns for AY 2023-24 and AY 2024-25 as they were, and each of those years carries an exposure of Rs. 10 lakhs. However, in Vinil Venugopal[4] and Kumar Ramanathan[5] , the Tribunal extended relief as the parties failed to report the investment in Schedule FA of the ITR due to inadvertence. In both cases, the investment was made through LRS from tax-paid funds.

The later reporting still helps. It shows the omission was bona fide and confirms that the Scheme is needed only for the two years of default. Section 132 allows a declaration where the assessee failed to disclose the asset in a return filed before the Scheme commenced, and both returns meet that condition.

The supplementary FAQs also clarify this issue. FAQ Q.83 clarifies that a single flat fee of Rs. 1 lakh is payable "for all the assets and for all the years", and FAQ Q.82 confirms that the fee is not payable asset by asset. FAQ Q.93 adds that an asset omitted over several years is

entered only once in Form 1, by specifying the earliest relevant previous year and its value on the valuation date. The two years of default, therefore, cost one fee, not two.

4. Comparative Analysis

The following illustration shows what is at stake for three investors who each bought US shares in April 2022 from taxed salary and left them out of Schedule FA for AY 2023-24 and AY 2024-25:

Particulars	*Mr A*	*Mr B*	*Mr C* [Note 1]
Value of US-listed shares on 31-3-2026 [A]	18,00,000	45,00,000	45,00,000
Dividend for FY 2022-23 and FY 2023-24 not offered to tax [B]	-	-	1,50,000
Source of investment	Salary remitted under LRS	Salary remitted under LRS	Salary remitted under LRS
If the entire holding is covered in Sl. No. 1			
Tax at 30% [C = (A + B) × 30%]	5,40,000	13,50,000	13,95,000
Additional amount equal to tax [D = C]	5,40,000	13,50,000	13,95,000
Amount payable [E = C + D]	**10,80,000**	**27,00,000**	**27,90,000**
*If the entire holding is covered in Sl. No. 2**			
Fee payable under Sl. No. 2 [F]	1,00,000	1,00,000	1,00,000
* Tax and additional amount on dividends under Sl. No. 1 [G = B × 60%]	-	-	90,000
Amount payable [H = F + G]	**1,00,000**	**1,00,000**	**1,90,000**
Exposure if the scheme is not availed			
Penalty under Section 43 of the Black Money Act for AY 2023-24 and 2024-25 [I = Rs. 10 lakh × 2]	20,00,000 [Note 2]	20,00,000	20,00,000
Cost of misclassification [J = E – H]	**9,80,000**	**26,00,000**	**26,00,000**

Note 1: Dividends on US shares are foreign-source income chargeable to tax in India. If they were not offered to tax in the years of default, they are 'undisclosed foreign income' and fall under Sl. No. 1, even though the shares themselves fall under Sl. No. 2. Both can be declared in the same Form 1. Only the dividend component bears the effective 60% rate. FAQ Q.87 further clarifies that credit for foreign tax under a DTAA is not available against income declared in Category A. The US tax withheld on the dividends will therefore not reduce the amount payable.

Note 2: The *proviso* to Section 43 of the Black Money Act, substituted by the Finance (No. 2) Act, 2024, with effect from 01-10-2024, extends immunity from the penalty in respect of an asset (other than immovable property), where the aggregate value of such asset does not exceed Rs. 20 lakh rupees. This amendment applies prospectively from October 1, 2024 and will cover non-disclosures occurring on or after October 1, 2024, if the aggregate value of such undisclosed foreign assets (excluding immovable property) does not exceed Rs. 20 lakhs at any time during the relevant previous year. For Mr. A, it is assumed that he filed the return of income for both AYs on or before 30th September 2024. FAQ Q.67, framed for foreign bank accounts, states that no declaration is needed where the aggregate value does not exceed Rs. 20 lakh and the deposits are from disclosed sources. However, the FAQ is silent on the date of filing the return. As Mr. A's defaults precede that date, the safer course for him is to declare under Sl. No. 2.

5. Conclusion

A foreign asset bought from taxed income through banking channels does not become an 'undisclosed foreign asset' merely because it was left out of Schedule FA. The source test in Section 131(1), the wording of Sl. No. 2, Illustration 3 to Rule 4 and the supplementary FAQs all lead to the same answer. An investor in this position should declare under Sl. No. 2 and pay a single flat fee of Rs. 1 lakh, which covers all such assets and all years of default (FAQ Q.83), and should not pay 60% under Sl. No. 1. Reporting in later returns does not remove exposure for earlier years, so the declaration should cover every year of omission and be filed before 31st December 2026.

It is recommended that the CBDT issue an instruction, in line with the Special Bench ruling, that where a foreign asset was acquired from tax-paid funds through banking channels and voluntarily reported in later returns, penalty proceedings for the earlier years should not be initiated against taxpayers who could not use the Scheme in time. The CBDT should also clarify whether the Rs. 20 lakh thresholds referred to in FAQ Q.67 extend to returns filed before 1st October 2024.

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- ✓ Contributor to renowned media outlets on tax issues



Vinod K. Singhania

Expert on Panel | Research and Advisory (Direct Tax)

- ✓ Over 35 years of experience in tax laws
- ✓ PhD in Corporate Economics and Legislation
- ✓ Author and resource person in 800+ seminars



V.S. Datey

Expert on Panel | Research and Advisory [Indirect Tax]

- ✓ Holds 30+ years of experience
- ✓ Engaged in consulting and training professionals on Indirect Taxation
- ✓ A regular speaker at various industry forums, associations and industry workshops
- ✓ Author of various books on Indirect Taxation used by professionals and Department officials



S.S. Gupta

Expert on Panel | Research and Advisory [Indirect Tax]

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- ✓ 34+ Years of Experience in Indirect Taxation
- ✓ Bestowed with numerous prestigious scholarships and prizes
- ✓ Author of the book GST – How to Meet Your Obligations', which is widely referred to by Trade and Industry



Manoj Fogla

Expert on Panel | Research and Advisory [Charitable Trusts and NGOs]

- ✓ Over three decades of practising experience on tax, legal and regulatory aspects of NPOs and Charitable Institutions
- ✓ Law practitioner, a fellow member of the Institute of Chartered Accountants of India and also holds a Master's degree in Philosophy
- ✓ PhD from Utkal University, Doctoral Research on Social Accountability Standards for NPOs
- ✓ Author of several best-selling books for professionals, including the recent one titled 'Trust and NGO's Ready Reckoner' by Taxmann
- ✓ Drafted publications for The Institute of Chartered Accountants of India, New Delhi, such as FAQs on GST for NPOs & FAQs on FCRA for NPOs.
- ✓ Has been a faculty and resource person at various national and international forums



Nirav Shah

Expert on Panel | Research and Advisory [UAE Corporate Tax]

- ✓ 25+ years of experience and practicing in the UAE
- ✓ Chartered Accountant (All India 36th Rank)
- ✓ Has previously worked with the KPMG

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Contact Us

Taxmann Delhi
59/32, New Rohtak Road
New Delhi - 110005 | India
Phone | 011 45562222
Email | sales@taxmann.com

Taxmann Mumbai
35, Bodke Building, Ground Floor,
M.G. Road, Mulund (West),
Opp. Mulund Railway Station
Mumbai - 400080 | Maharashtra | India
Phone | +91 93222 47686
Email | sales.mumbai@taxmann.com

Taxmann Pune
Office No. 14, First Floor, Prestige Point,
283 Shukrwar Peth, Bajirao Road,
Opp. Chinchechi Talim,
Pune - 411002 | Maharashtra | India
Phone | +91 98224 11811
Email | sales.pune@taxmann.com

Taxmann Ahmedabad
7, Abhinav Arcade, Ground Floor,
Pritam Nagar Paldi
Ahmedabad - 380007 | Gujarat | India
Phone: +91 99099 84900
Email: sales.ahmedabad@taxmann.com

Taxmann Hyderabad
4-1-369 Indralok Commercial
Complex Shop No. 15/1 - Ground Floor,
Reddy Hostel Lane Abids
Hyderabad - 500001 | Telangana | India
Phone | +91 93910 41461
Email | sales.hyderabad@taxmann.com

Taxmann Chennai
No. 26, 2, Rajan St,
Rama Kamath Puram, T. Nagar
Chennai - 600017 | Tamil Nadu | India
Phone | +91 89390 09948
Email | sales.chennai@taxmann.com

Taxmann Bengaluru
12/1, Nirmal Nivas, Ground Floor,
4th Cross, Gandhi Nagar
Bengaluru - 560009 | Karnataka | India
Phone | +91 99869 50066
Email | sales.bengaluru@taxmann.com

Taxmann Kolkata
Nigam Centre, 155-Lenin Sarani, Wellington,
2nd Floor, Room No. 213
Kolkata - 700013 | West Bengal | India
Phone | +91 98300 71313
Email | sales.kolkata@taxmann.com

Taxmann Lucknow
House No. LIG - 4/40,
Sector - H, Jankipuram
Lucknow - 226021 | Uttar Pradesh | India
Phone | +91 97924 23987
Email | sales.lucknow@taxmann.com

Taxmann Bhubaneswar
Plot No. 591, Nayapalli,
Near Damayanti Apartments
Bhubaneswar - 751012 | Odisha | India
Phone | +91 99370 71353
Email | sales.bhubaneswar@taxmann.com

Taxmann Guwahati
House No. 2, Samnaay Path,
Sawauchi Dakshin Gaon Road
Guwahati - 781040 | Assam | India
Phone | +91 70866 24504
Email | sales.guwahati@taxmann.com